

Tobacco – the resilient and robust category



Mike Laney, Imperial Tobacco's Head of Convenience.

Imperial Tobacco's Head of Convenience, Mike Laney, is keen to highlight the continued importance of the UK tobacco category.

Mike said: "Resilient' is a word that has particular resonance when considering the tobacco category in the UK. Despite continual legislative pressures, and the threat of the illegal tobacco trade, those 12 million UK adults who choose to smoke spend over £14 BILLION per year on their preferred brands in retail outlets.

"Tobacco is a vital contributor to this country's economy as between 75% and 90% of tobacco brands' recommended retail prices goes straight to HM Treasury in the form of taxation - this contribution equates to around £10 BILLION annually.

"The forecourt channel is also vitally important to both the UK tobacco market and Imperial Tobacco. We are hugely committed to supporting the sector and this manifests itself in the wide support network we have internally working on managing the business relationships with our forecourt customers. Imperial Tobacco has also been a proud sponsor of the **Forecourt Trader Awards** for the last 15 years and it remains gratifying and rewarding to recognise those retailers who provide a first-class service to forecourt shoppers."

Rise of economy brands

The tough economic conditions are driving the value seeking trend in the tobacco category – especially in the cigarette segment. Consumers are **increasingly turning to cheaper brands** after the recession, but consumption levels have not declined.

The contribution to retail turnover made by brands in the economy priced sector increased by over 43% last year and one in four cigarette smokers now choose brands from this sector.

JPS 'Silver' and Windsor Blue continue to perform successfully – both now each hold a share of over 5% and this is likely to increase.



ALWAYS BE IN STOCK! THE TOP TEN CIGARETTE BRANDS MAKE UP 51% OF SALES!

Source: ITUK estimates

Growing sales of roll your own

The value seeking trend seen in the cigarette segment is also prevalent in the roll your own (RYO) market – this has seen brands such as Gold Leaf, Golden Virginia Yellow and JPS return hugely successful performances whilst Golden Virginia Green has retained its market leading status.



More and more smokers are moving down through the cigarette price sectors and they aren't stopping there. Around 4 million UK smokers now 'dual' between cigarettes and RYO – a common theme here is for a smoker to smoke RYO tobacco during the week and cigarettes at the weekend. Forecourt operators should recognise this by ensuring they have constant availability of the leading brands in both sectors.



Ryan Hopkins, Channel Development Manager

The Impact of Economy 10s

Imperial Tobacco's Convenience Channel Development Manager, Ryan Hopkins, wishes to point out the changing dynamics in the preferences of tobacco shoppers who visit forecourts.

Ryan said: "Traditionally the forecourt sector has been one where premium priced cigarettes made up the majority of sales, however this dynamic is changing. Brands in the economy priced sector have become much more popular amongst tobacco shoppers in forecourts – especially in 10s packs.

So, let's examine the reasons for this;

- "I want to manage my consumption"
- "Money's a bit tight; I need to watch what I spend"
- "I love my brand but the 20s pack wasn't in stock"

Why a full Economy 10s range is important to your Tobacco category:

- **20%** of UK cigarette volume is in 10s*
- **52%** will try a different shop if their usual brand is not available in the right pack size**
- 10s do not erode sales of 20s
- 10s shopper mission is different to 20s
 - Control consumption
 - Control spend.



*Source: ITUK estimates
**Source: AMR March 2011

This supplement is for the information of tobacco traders only